



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

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Bill #	HB0258	Title:	Create tax incentive for recycling
Primary Sponsor:	Reinhart, Michele	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$27,924	\$41,029	\$41,029	\$41,029
Revenue:				
General Fund	(\$224,175)	(\$224,175)	(\$224,175)	(\$224,175)
Net Impact-General Fund Balance	<u>(\$252,099)</u>	<u>(\$265,204)</u>	<u>(\$265,204)</u>	<u>(\$265,204)</u>

Description of Fiscal Impact:

General fund revenues would be reduced annually by the amount of tax credits claimed by businesses and individuals who recycle electronic equipment and claimed the credit.

FISCAL ANALYSIS

Assumptions:

1. In this bill, an individual, corporation, partnership, or small business corporation, as defined in 15-30-1101, MCA, would be able to receive a credit of up to \$500 against taxes imposed by Title 15, chapter 30 or 31, MCA, for any fees imposed by a recycler for the acceptance of any electronic equipment surrendered by the taxpayer.
2. The Department of Environmental Quality (DEQ) estimates that the cost to recycle electronic equipment (i.e. fees imposed by recyclers) in Montana averages \$25 per computer unit (including CPU, Monitor and peripherals), \$20 per microwave, \$35 per television, \$50 per video gaming machine, and \$5 per telephone and handheld device.
3. For the purposes of this fiscal note, it is assumed that an average cost per unit of all electronic equipment recycled in Montana will be \$25, and thus this will be the average amount of the credit taken.

4. About 1,200 individuals and businesses participated in community electronic recycling events coordinated by DEQ in 2006. (DOR reports that only 49 taxpayers took advantage of the tax credit for purchasing recycled-content material.) Participants brought an estimated three items each to these events.
5. For the purposes of this fiscal note, it is assumed that only those corporations (businesses) who pay more than \$50 annually in Montana corporation tax will use this credit.
6. There are 6,676 corporations in Montana who paid corporation taxes in excess of \$50 in 2006 (Dept of Revenue biennial report 2006).
7. All of these 6,676 corporations are likely to have some electronic equipment that could be recycled.
8. About 50% of all businesses in Montana have zero to one personal computer, and about 49% of all businesses have two to nine personal computers (infousa.com).
9. Assume that two percent of the 6,676 corporations in Montana who paid taxes in excess of \$50 in 2006 will pay to recycle one piece of electronic equipment annually.
10. This will result in 134 pieces of equipment being recycled annually ($6,676 \times .02 \times 1 = 134$).
11. Assume that another two percent of the 6,676 corporations will pay to recycle four pieces of electronic equipment annually.
12. This will result in 536 pieces of equipment being recycled annually ($6,676 \times .02 \times 4 = 536$).
13. Thus, total business tax credits for electronic equipment recycling would be 670 units (134 + 536) annually at \$25 per unit for a total of \$16,750 annually taken in tax credits over what is taken under current law.
14. There were 414,841 individuals reporting taxable income for 2005 in Montana (Department of Revenue, biennial report 2006).
15. Based in part on the 1,200 individuals and businesses that participated in community electronic recycling events coordinated by DEQ in 2006, it is assumed that one percent of these 414,841 individual taxpayers will pay to recycle two items annually resulting in 8,297 credits taken per year ($414,841 \times .01 \times 2$).
16. Thus, total individual tax credits for electronic equipment recycling would be 8,297 units annually at \$25 average for a total of \$207,425 taken annually in tax credits over what is taken under current law.
17. Adding the business total and the individual total of tax credits taken, the total tax credit taken per year from this bill over what is taken under current law would be \$224,175 annually ($\$207,425 + \$16,750$).
18. Under the proposed law, the application process specified in section 2 will impose administrative cost increases from current law on the Department of Revenue. The additional cost is estimated a one additional FTE with costs for equipment and operating costs.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$17,542	\$35,083	\$35,083	\$35,083
Operating Expenses	\$ 4,482	\$5,946	\$5,946	\$5,946
Equipment	\$5,900	\$0	\$0	\$0
TOTAL Expenditures	<u>\$27,924</u>	<u>\$41,029</u>	<u>\$41,029</u>	<u>\$41,029</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$27,924</u>	<u>\$41,029</u>	<u>\$41,029</u>	<u>\$41,029</u>
TOTAL Funding of Exp.	<u>\$27,924</u>	<u>\$41,029</u>	<u>\$41,029</u>	<u>\$41,029</u>
<u>Revenues:</u>				
General Fund (01)	<u>(\$224,175)</u>	<u>(\$224,175)</u>	<u>(\$224,175)</u>	<u>(\$224,175)</u>
TOTAL Revenues	<u>(\$224,175)</u>	<u>(\$224,175)</u>	<u>(\$224,175)</u>	<u>(\$224,175)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$252,099)	(\$265,204)	(\$265,204)	(\$265,204)

Long-Range Impacts:

1. This bill will result in about \$265,204 of general fund impact annually beyond 2011 as long as this tax credit is in existence, and that amount may increase over time as more businesses and consumers learn about and take advantage of this credit.

Technical Notes:

1. The bill does not include an effective date, and does not include an applicability date.
2. The bill does not indicate if the credit is refundable or subject to carryover.
3. The bill does not specify that \$500 is the maximum allowable credit for one tax year.
4. The Department of Revenue notes that the application process specified in section 2 will impose administrative cost increases from current law on the department. These cost increases would be greatly reduced if the tax credit would be included on the income tax form similar to other tax credits.
5. "Recycler" is not defined.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date